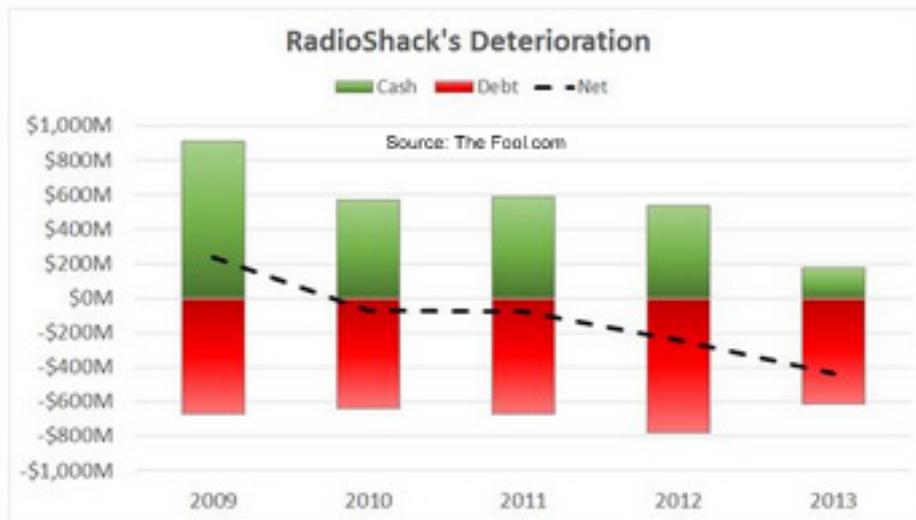


Is Bankruptcy the Only Option for Radio Shack?

Written by Bob Snyder
18. May 2014

As we predicted, the market now agrees **RadioShack's new strategy is flawed.**



Despite its eminence as a world-known CE retailer, RadioShack's financial position deteriorated in the last five years-- and **its recent plan to shutter up to 1100 stores has now been blocked by creditors.**

It's a story that retailers know well and fear the most: Lenders block store closures because any liquidation of inventory would mean money going back into the stores instead of repaying debt. Creditors now fear a default and want to protect their own interests first.

Creditors will allow a maximum of 200 store closings per year, and the retailer will have to attempt to cut costs in other ways.

Keeping suppliers on its side through the holiday season will now be the biggest challenge for the company. Vendors don't want to be supplying inventory they aren't going to be paid for.

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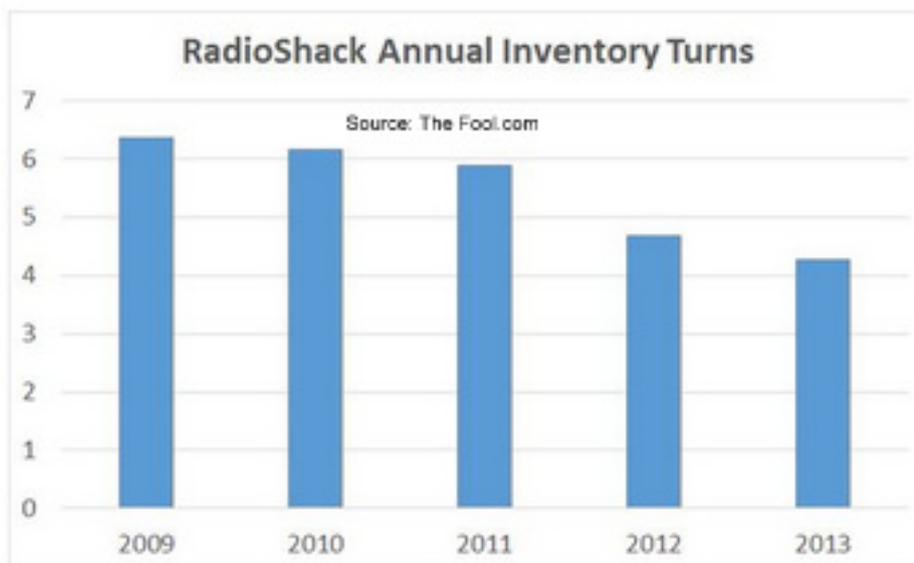
Unable to close stores, with interest payments that stand at \$52m a year, bankruptcy seems most likely for a

RadioShack shackled with \$1.2bn in debt

The US institution that thrived with 8-track cassette tapes, CB radio, build-your-own radio kits, and the early PC is failing to compete against Best Buy, discount stores and online rivals. And we blame management, not the brand.

At the end of 2012, RadioShack still had more than \$500 million in cash in the bank, and the situation wasn't dire. At the end of 2013, RadioShack barely had \$180 million in cash and its total debt rose to \$613 million.

The biggest problem is RadioShack simply isn't selling enough. The number of annual inventory turns has steadily declined over the past five years. And that's where the problem is...



When RadioShack started sliding, the problem was the store had shifted to becoming heavily dependent upon mobile phones-- instead of their traditional accessories, niche products, spare parts and DIY electronics.

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RadioShack should be selling online and in-store products such as quadcopters, robots, Raspberry Pi, smart home, Internet of Things nuts and bolts-- capitalizing on the **maker culture**, a contemporary technology-based extension of DIY culture.

Yet RadioShack managers are spending big on SuperBowl ads trying to revive its image as a "neighbourhood technology playground." They think RadioShack ought to compete head on with Best Buy and Apple Stores... and **you don't need to go to a Genius Bar to understand the implications of why RadioShack's e-commerce operation isn't even worth a mention in its quarterly reports.**

The company is very rapidly running out of time and money... and trying to polish the national retail image when they should go back to basics: product mix, online sales and local promotion.

Go [MarketWatch: Did RadioShack run out of things to sell?](#)

Go ...We Told You So: [RadioShack: It Ain't Working](#)